

# Request for City Council Committee Action from the Department of City Coordinator

**Date:** October 31, 2013

To: The Honorable Elizabeth Glidden, Chair, Intergovernmental Relations Committee

Subject: Submission of Comments to PUC on environmental costs associated with power plants

**Recommendation:** Authorize submission of comments urging the Minnesota Public Utilities Commission (PUC) to approve the petition (Docket No. E-999/CI-93-583 and CI-00-1036) to begin work on updating environmental costs associated with power plants.

#### **Previous Directives:**

September 20, 2013: Directed staff to submit comments to the Minnesota Public Utilities Commission (PUC) to direct Xcel Energy to include in its 2014 Resource Plan a timeline for replacing Sherco coal plant's units 1 and 2 with clean energy (Docket E002/RP-13-368)

June 28, 2013: Directed staff to submit comments to state regarding Xcel Energy's Annual Report and Petition Service Quality Performance including Smart Grid report (Docket E002/M-13-255)

July 9, 2011: REE support to submit comments to Minnesota Dept. of Commerce related to Xcel Energy's proposed 2013-2015 Triennial Conservation Improvement Plan focused on eliminating Solar Rewards

### **Department Information**

Prepared by: Gayle Prest, Sustainability Director Approved by: Paul Aasen, City Coordinator Presenters in Committee: Gayle Prest

#### **Financial Impact**

• No financial impact

## **Supporting Information**

A coalition of nonprofit organizations recently petitioned the Public Utilities Commission (PUC) to update its calculations after 20 years on the real costs of pollution from Minnesota's power plants. Currently, these costs have to be included when the PUC evaluates utility plans for meeting future energy needs. The costs are important because they level the playing field between renewable sources, which pollute less and cause less public health damage, and fossil fuels sources, especially coal, which causes damage to society that goes unpaid by the companies who generate the pollution and cause the damage.

In 1993, the Minnesota Legislature recognized the fact that emissions from power plants have environmental and public health impacts, that these impacts cause real costs on society from increased medical and health costs, habitat destruction, etc. Without including these "externalized" costs in utility resource planning, utility resource selections would be skewed in favor of the energy resources that generate these emissions. Thus, in 1993, the Legislature added a provision to Minnesota's utility resource planning statute. This provision required the PUC to, "to the extent practicable quantify and establish a range of environmental costs associated with each method of electricity generation." Further, the legislature then required utilities to "use the values established by the commission in conjunction with other external factors, including socioeconomic costs, when evaluating and selecting resource options in all proceedings before the commission, including resource plan and certificate of need proceedings."

In 1996, PUC adopted a range of environmental cost values for airborne emissions of sulfur dioxide, nitrogen oxides, particulate matter less than 10 microns in size ("PM10"), carbon dioxide, carbon monoxide ("CO"), and lead ("Pb"). The Commission determined that it would not set environmental cost values for fine particulate matter or mercury ("Hg").

As a consequence, electricity resource decisions the PUC makes today are based on the externality values established for six pollutants in 1996 adjusted for inflation.

This new petition asserts that the values established by the PUC in the 1990s must be updated because they are too low and are no longer scientifically justified.

## **City Letter**

The City's draft comments are in support of the Public Utility Commission re opening its investigation and begin work on updating these environmental costs and complete this work with in the 12-month time frame requested by the petitioners. Comments are due by November 8, 2013.